



October 12, 2020

Mr. Chris Halm
California Air Resources Board
Industrial Strategies Division
1001 I Street
Sacramento, CA 95814

RE: Renewable Naphtha Inclusion in § 95852.2(a) of Cap & Trade Regulation

Dear Mr. Halm,

Thank you for the opportunity to provide written comments in response to CARB's MRR workshop on September 16, 2020. I am writing on behalf of World Energy to encourage the inclusion of renewable naphtha as a renewable, and therefore exempt fuel under 17 CCR Division 3 Chapter 1, subchapter 10, article 5 – California Cap on Greenhouse Emissions and Market-Based Compliance Mechanisms.

World Energy is one of the most veteran biofuel companies in North America. It is a global supplier of biofuels, with five biodiesel production facilities and one California renewable fuel facility, totaling over 300 million gallons of annual renewable fuel production capacity among its assets. The California facility is located in Paramount, and produces renewable diesel, sustainable aviation fuel, and renewable naphtha. The facility is currently undergoing a conversion and upgrade to increase production capacity to 360 million gallons of fuel per year.

World Energy is very supportive of the staff proposal to include renewable naphtha, renewable gasoline, and renewable propane as emissions without a compliance obligation under Cap & Trade. Since World Energy currently produces renewable naphtha we provide additional details on our rationale for support below. Under the current regulation, emissions from certain biomass-derived fuels are exempt from compliance obligations. Listed under §95852.2, these exempt fuels include: biodiesel, fuel ethanol, biomethane and biogas, and renewable diesel. It also encompasses the emissions from combustion of biomass-derived fuels, including: biogenic fraction of solid waste and municipal solid waste materials, agricultural crops and waste, wood and wood waste. Like fuel ethanol and biodiesel, renewable naphtha is a biogenic-sourced blendstock and should not be charged with greenhouse gas emissions. Renewable naphtha is consistent with ethanol and biodiesel as it is blended with other fuels before use in today's engines.

Renewable naphtha is a fully renewable fuel, made from the same feedstock and biogenic materials as the above listed exempt fuels. It was likely not included in the list because renewable naphtha production was not commercially produced when the regulation was drafted.

Renewable naphtha production is a co-product of renewable diesel and sustainable aviation fuel production, resulting from the same processing of fats, oils, and greases. In 2019, AltAir Paramount obtained approved registration for the renewable naphtha as a renewable product within the LCFS program. It would be consistent for Cap & Trade to also treat renewable naphtha as a renewable fuel. Also, renewable naphtha is registered with the US EPA, under 40 CFR Part 79 - Registration of Fuels and Fuel Additive as Renewable Gasoline, and as a renewable fuel (Naphtha) within 40 CFR Part 80, Subpart M - Renewable Fuel Standard, section 80.1426(f). This shows that the EPA considers renewable naphtha as an equivalent to renewable gasoline.

Previously, the renewable naphtha was mixed with petroleum blendstock to create a fully compliant transportation fuel for use in motor vehicles. Today, renewable naphtha is blended with ethanol to create E85, a totally renewable fuel, with the renewable naphtha serving as the "gasoline" portion of the fuel.

Due to its renewable properties, World Energy believes it is consistent with existing regulation to consider renewable naphtha, renewable gasoline and renewable propane as exempt fuels. World Energy would additionally like for CARB to consider making any exemption retroactive to the compliance period of 2018 to 2020. This change would cover World Energy's first sales of renewable naphtha into the marketplace.

Thank you for considering this regulatory change.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Sherbacow', with a long horizontal flourish extending to the right.

Bryan Sherbacow
Chief Commercial Officer

CC: Jason Gray
Mark Sippola